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SENSITIVE  
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H FOR SENATOR BOND; NEA/ELA FOR CANEDO

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TAGS: [OREP](#) [BOND](#) [PGOV](#) [KWBG](#) [ECON](#) [KPAL](#) [EG](#) [IS](#)  
SUBJECT: SCENESETTER FOR CODEL BOND'S VISIT TO CAIRO

1. SUMMARY: (SBU) Senator Bond, welcome to Egypt. Your visit comes as Egypt continues its efforts to mediate a permanent cease-fire between Israel and Hamas, to facilitate intra-Palestinian negotiations to form a new, interim government, and to stop the smuggling of arms into Gaza. The U.S., European countries, and regional governments are working to create security arrangements that would improve the flow of humanitarian assistance to Gaza. Egypt hosts a large population of Sudanese refugees and is deeply concerned that continuing instability in Sudan will pose a threat to its own security. Many Egyptians see the new U.S. administration as a cause for cautious optimism in both the bilateral relationship and in U.S. engagement with the region. Senator George Mitchell has visited Egypt and the region as U.S. Special Envoy for Middle East Peace twice and will likely return to Cairo in April. Your visit will fall just after the anniversary of the April 6, 2008 nation-wide strike protesting political and economic conditions. An opposition group has called for another April 6 strike this year, and other groups may also participate. We have requested meetings for you with President Mubarak, intelligence chief General Omar Soliman, Foreign Minister Ahmed Aboul Gheit, and National Democratic Party Strategy chief Gamal Mubarak. End summary.

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Israeli-Palestinian Conflict  
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2. (SBU) The election of President Obama generated much optimism in Egypt and an expectation that the new administration would quickly focus on problems in the Middle East. In particular, the Egyptian leadership wants the U.S. to urgently address the Israeli-Palestinian conflict, and Senator Mitchell has assured them that the Administration will press hard for progress. The Egyptians have traditionally served as an intermediary between Israelis and the Palestinians, and between Palestinian factions. Since the January 2008 Hamas breach of the Egypt-Gaza border, the Egyptian role has shifted to focus on intra-Palestinian reconciliation and the establishment of a lasting Hamas-Israel cease-fire. Chief of Egyptian General Intelligence Service Soliman has worked to cement such a cease-fire but believes he was badly undercut by the Israeli introduction of the release of IDF Corporal Gilad Shalit as a new pre-condition for the cease-fire. For the moment, rocket strikes from Gaza are relatively low in frequency.

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GAZA  
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3. (SBU) The Egyptians believe that Palestinian reconciliation is a prerequisite to delivery of the approximately \$5 billion in Gaza reconstruction assistance pledged at the March 2 Sharm El Sheikh conference. Neither the Egyptians, nor the international community can work with

Hamas as a partner on security, political or economic reconstruction issues; Rafah crossings will remain closed until the Palestinian Authority returns to operate the Gaza side of the crossing for normal business. However, the Egyptians periodically open their side of the border for humanitarian and emergency medical cases. The Egyptian public was angered by the Gaza "siege" and is anxious to see how the U.S. will deal with the new Israeli government and the perennial issue of settlement expansion.

14. (SBU) Egyptian security forces continue to improve counter-smuggling efforts along the Gaza border and further afield, through increasing their security presence in northern Sinai and giving greater focus to preventing weapons from entering the Sinai. Egyptian officials claim to have identified and sealed over 100 tunnels since the beginning of the year, with new discoveries occurring daily. Recently arrived U.S.- supplied counter-smuggling equipment, once installed and fully operational, could help improve Egypt's ability to fully exploit the tunnels and break up smuggling rings. The government has requested additional border security assistance and we are currently exploring ways to provide the requested assistance. Long-term success, however, depends on removing the economic incentives driving smuggling on both sides of the border.

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ARAB RECONCILIATION, IRAQ, IRAN, SUDAN  
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15. (SBU) The recent Gaza crisis was the latest issue to expose the intra-Arab fault line, with Egypt and Saudi Arabia on one side, and Syria and Qatar on the other. The Egyptians and Saudis have subsequently reached out to Damascus through a series of visits, but Cairo remains disenchanted with the Qataris, believing Doha to be an upstart with pro-Iranian leanings. Al Jazeera coverage of the Gaza crisis, which was generally negative on Egypt's role, is another issue of contention. Driven largely by these reasons, President Mubarak did not attend the annual Arab League summit of March 30-31 in Doha.

16. (SBU) Egypt has shown increasing confidence that Iraq has turned the corner, although concerns remain that the Maliki government is prone to Iranian influence. An Iraqi delegation recently visited Cairo for consultations on developing Iraqi-Egyptian economic and political ties. On Iran, Egypt is concerned by rising Iranian influence in the region, has supported UN sanctions, and is increasingly active on countering Iran, e.g. in Gaza and to some extent in Lebanon, working with Saudi Arabia and other Arab states to support Lebanese political and territorial sovereignty. Egypt has deployed peacekeeping troops to the UN Mission in Darfur, just agreed to send troops to the UN Mission in Congo and is taking a greater role within the African Union on regional security and political issues. President Mubarak met Sudanese President Omar Bashir on March 25 in Cairo, reportedly to discuss the Darfur conflict. Egypt hosts a large population of Sudanese refugees and is deeply concerned that continuing instability in Sudan will pose a threat to its own security, compromise its access to Nile water, and increase the flow of refugees. Consequently, Egypt opposes the International Criminal Court's issuance of an arrest warrant for Bashir.

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Internal Politics and Economics  
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17. (SBU) We continue to promote democratic reform in Egypt, including the expansion of political freedom and pluralism, and respect for human rights. Egyptian democracy and human rights efforts, however, are being stymied, and the GoE remains skeptical of our role in democracy promotion, complaining that any efforts to open up will result in empowering the Muslim Brotherhood, which currently holds 86 seats in Egypt's 454-seat parliament. An ongoing challenge remains balancing our security interests with our democracy

promotion efforts.

¶18. (U) Economic reform is ongoing although Egypt still suffers from widespread poverty affecting 35-40% of the population. Reforms in trade and tax policy, financial reform, privatization and increased transparency have led to 6-7% economic growth over the past three years, although this is expected to drop in the face of the economic crisis to 3-4 percent. Foreign investment increased from around \$3 billion in 2005 to \$11 billion in the last year, mostly in the petroleum sector, though growth in foreign investment appears to be dropping off. Despite this success, significant problems remain, including high inflation, high levels of poverty, and unemployment, and endemic corruption. Egyptian-U.S. trade has more than doubled in the last four years, reaching almost \$9 billion in 2008. The U.S. exports to Egypt about twice as much as it imports. Egyptian banks operate very conservatively and so far have been spared involvement in risky financial products, but the effects of the global economic crisis on Egypt are beginning to be felt. As the global credit crunch worsens, Egypt remains vulnerable as exports, Suez Canal revenues, tourism, and remittances -- its largest sources of revenue -- are all down and likely to continue to fall. The Egyptian government viewed the USG's reduction in Economic Support Funds (ESF) by half to \$200 million in FY2009 as an affront, and has high expectations that the new administration and Congress will approve higher levels in FY2010. The Ambassador and USAID Mission Director have emphasized the impact of the ongoing financial crisis on budget discussions in the U.S.

¶19. (SBU) We continue to stress the importance of advancing military to military cooperation, long a cornerstone of the U.S. - Egyptian relationship. Security agreements, a revamped exercise program, establishing shared objectives, and interoperability are a few areas where we are seeking to strengthen the relationship.

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SUGGESTED TALKING POINTS  
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¶10. (SBU) President Mubarak: President Mubarak will emphasize his concerns about Iran's influence in the region and ask the U.S. to work closely with Egypt and other moderates in the region before it moves to engage Iran directly.

--Thank Egypt for its leadership in facilitating a cease-fire between Israel and Hamas, seek the president's opinion on next steps for the Palestinian Unity government and the reconstruction of Gaza.

--Thank the President for Egypt's progress in preventing the smuggling of weapons into Gaza. What more can the U.S. do to support Egypt in counter-smuggling efforts?

--Ask the President about latest efforts to promote Arab reconciliation.

--Seek his opinion on the security situation in Iraq and next steps for enhancing cooperation between Iraq and its Arab neighbors.

--Thank the President for deploying peacekeeping troops and doctors to the UN Mission in Darfur, and to the peacekeeping mission in Congo, and ask for his assessment of recent developments in Sudan.

¶11. (SBU) EGIS General Omar Soliman: General Soliman leads Egypt's mediation efforts between Israel and Hamas, and amongst Palestinian factions.

--Thank General Soliman for his work in mediating between Israel and Hamas, and seek his assessment of current intra-Palestinian negotiations.

¶12. (SBU) Foreign Minister Ahmed Aboul Gheit: The USG cut Economic Support Funds (ESF) to Egypt in half in FY2009 to \$200 million. Minister Aboul Gheit is likely to complain about what he feels was a "unilateral" cut in aid and will express his hope that Congress will increase ESF levels in ¶2010.

--Thank him for Egypt's leadership role in the region.

--Note that ESF is an important symbol of cooperation between Egypt and the U.S. and we are keen to move forward to resolve problems relating to FY2009 ESF.

¶13. (SBU) Gamal Mubarak: Mubarak leads the governing NDP party's efforts to promote economic reform in Egypt.

--Seek his opinion on the impact of the global economic crisis on Egypt.

--Ask him for his thoughts on the NDP's priorities and how it will address the top domestic concerns of poverty and job creation.

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